

INTERNAL REVENUE SERVICE

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APR 12 2000

Dear [REDACTED]:

This responds to your March 14, 2000, letter and subsequent telephone conversation on April 11 with members of my office concerning whether the federal excise tax on air transportation imposed under § 4261 of the Internal Revenue Code applies to certain flight vouchers. As requested, we are providing you with general information concerning the air transportation tax and how to obtain a private letter ruling.

Section 4261(a) imposes upon the amount paid for taxable air transportation (as defined in § 4262) of any person a tax equal to 7.5 percent of the amount paid.

Section 4261(b) imposes a tax on the amount paid for each segment of domestic transportation by air. Currently, the tax is \$ 2.50.

Section 4261(c) imposes a tax of \$ 12.00 on the amount paid for transportation of any person by air, if such transportation begins or ends in the United States. This tax does not apply to any transportation all of which is taxable under subsection (a). This amount is adjusted for inflation. Currently, the tax is \$12.40.

Section 4261(d) provides that, in general, the tax imposed by § 4261(a) shall be paid by the person making the payment subject to the tax.

Section 4263(c) provides that where any amount of tax imposed by § 4261 is not paid at the time payment for transportation is made, then, under regulations prescribed by the Secretary, to the extent that the tax is not collected, the tax shall be paid by the carrier providing the initial segment of the transportation that begins or ends in the United States.

Section 4291 provides that, in general, every person receiving any payment for facilities or services on which tax is imposed upon the payor by § 4261 must collect the amount of tax from the person making the payment.

Section 49.4261-2(a) of the Facilities and Services Excise Tax Regulations provides that the tax is measured by the total amount paid.

Revenue Ruling 84-12, 1984-1 C.B. 211, concerning the taxability of "free bonus tickets" issued to airline customers, makes clear that for purposes of § 4261(a), the amount subject to tax is the actual amount paid for taxable air transportation. Where no amount is paid, the tax does not apply. We have enclosed a copy of the revenue ruling for your information.

Any question that requires a definite reply based on a specific set of facts must be submitted to the National Office as a ruling request pursuant to Revenue Procedure 2000-1, 2000-1 I.R.B. 4. We have also enclosed a copy of the revenue procedure for your consideration.

We hope this information is helpful to you. If you have any questions or require further assistance, please feel free to contact my office at the number listed above.

Sincerely,

Assistant Chief Counsel
(Passthroughs and Special Industries)

By:

Richard A. Kocak
Chief, Branch 8

Enclosures